

AFI Europe N.V.

**Unaudited Condensed Consolidated
Interim Financial Statements**

As at June 30, 2024

Unaudited Interim Financial Statements as at June 30, 2024

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Auditors' report on review to the shareholders of AFI Europe N.V.

Introduction

We have reviewed the accompanying financial information of AFI Europe N.V. and its subsidiaries, comprises the interim consolidated statement of financial position as of June 30, 2024 and the related interim consolidated statements of comprehensive income, changes in equity and cash flows for the six and three months periods then ended. The Company's board of directors and management are responsible for the preparation and presentation of interim information for these periods in accordance with IAS 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with Review Standard 2410 (Israel) of the Institute of Certified Public Accountants in Israel, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Tel-Aviv, Israel
August 6, 2024

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

Unaudited Condensed Consolidated Interim Statement of Financial Position as at*In thousands of Euros*

	June 30, 2024	June 30, 2023	December 31, 2023
	(Unaudited)	(Unaudited)	(Audited)
Assets			
Investment in (and loans to) equity accounted investees	130,967	116,958	122,779
Investment property	2,739,701	2,450,347	2,635,837
Investment property under development	271,058	349,608	292,097
Inventory	114,021	121,232	113,341
Property, plant and equipment and Right-of-use assets	8,506	2,309	8,038
Deferred tax assets	8,002	4,005	6,500
Trade and other receivables	137,701	124,057	119,156
Total non-current assets	3,409,956	3,168,516	3,297,748
Inventory	22,215	16,476	20,575
Short term investment	17,117	14,356	17,184
Trade and other receivables	76,101	78,904	92,391
Cash and cash equivalents	93,055	95,356	82,818
Total current assets	208,488	205,092	212,968
Total assets	3,618,444	3,373,608	3,510,716
Equity			
Issued capital	930	930	930
Share premium	411,797	411,797	411,797
Translation reserve	20,142	13,329	17,881
Hedging reserve, net	12,763	27,402	13,941
Retained earnings	530,369	487,220	513,943
Equity attributable to owners of the Company	976,001	940,678	958,492
Non-controlling interest	6,330	5,859	6,133
Total equity	982,331	946,537	964,625
Liabilities			
Loans and borrowings	1,164,147	990,783	1,167,125
Loans and borrowings from related parties	1,035,191	943,535	949,181
Deferred tax liabilities	172,205	164,962	168,895
Other non-current liabilities	28,478	26,546	28,891
Total non-current liabilities	2,400,021	2,125,826	2,314,092
Loans and borrowings	88,324	77,030	80,303
Loans and borrowings from related parties	5,230	78,877	5,230
Trade and other payables	138,159	141,810	142,577
Tax payables	4,379	3,528	3,889
Total current liabilities	236,092	301,245	231,999
Total liabilities	2,636,113	2,427,071	2,546,091
Total equity and liabilities	3,618,444	3,373,608	3,510,716

Director – A. Barzilay

Director – A. Dafna

Amsterdam, August 6, 2024

The accompanying notes are integral part of these consolidated interim financial statements.

Unaudited Condensed Consolidated Interim Income Statement*In thousands of Euros*

	For the six months ended		For the three months ended		For the year
	June 30,		June 30,		ended
	2024	2023	2024	2023	December 31,
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Gross rental income	97,043	80,503	49,640	41,127	170,142
Service charge income	31,964	27,659	16,492	13,868	58,950
Service charge expenses	(34,595)	(30,755)	(17,125)	(14,785)	(63,410)
Net rental and related income	94,412	77,407	49,007	40,210	165,682
Proceeds from sale of trading property	3,273	7,669	2,180	4,536	11,901
Carrying value of trading property sold	(2,463)	(5,803)	(1,641)	(3,458)	(8,338)
Write down of inventory to net realizable value	-	-	-	-	(6,912)
Profit (loss) from disposal of trading property	810	1,866	539	1,078	(3,349)
Gross profit	95,222	79,273	49,546	41,288	162,333
Change in fair value of investment property	(4,690)	(38,258)	(921)	(1,959)	(25,539)
Change in fair value of investment property under development	-	339	-	-	6,297
Administrative expenses	(10,356)	(9,111)	(5,189)	(4,623)	(18,108)
Selling and marketing expenses	(2,875)	(2,198)	(1,903)	(1,353)	(4,979)
Other income	2,530	1,306	1,110	385	2,924
Other expenses	(1,121)	(1,407)	(593)	220	(2,821)
Share of losses of companies accounted for at equity, net	(708)	(1,050)	(349)	(535)	(20)
Operating profit	78,002	28,894	41,701	33,423	120,087
Financial income	2,014	2,888	(1,171)	1,369	8,086
Financial expenses	(55,456)	(42,666)	(26,796)	(23,453)	(104,752)
Net financing costs	(53,442)	(39,778)	(27,967)	(22,084)	(96,666)
Profit (loss) before tax	24,560	(10,884)	13,734	11,339	23,421
Taxes on income	(7,937)	(4,343)	(4,714)	(6,158)	(11,586)
Profit (loss) for the period	16,623	(15,227)	9,020	5,181	11,835
Attributable to:					
Equity holders of the Company	16,426	(15,361)	8,926	5,105	11,362
Non-controlling interest	197	134	94	76	473
Profit (loss) for the period	16,623	(15,227)	9,020	5,181	11,835

The accompanying notes are integral part of these consolidated interim financial statements.

Unaudited Condensed Consolidated Interim Statement of Comprehensive Income*In thousands of Euros*

	For the six months ended		For the three months ended		For the year
	June 30,		June 30,		ended
	2024	2023	2024	2023	December 31,
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Profit (loss) for the period	16,623	(15,227)	9,020	5,181	11,835
Other comprehensive income items that after initial recognition in comprehensive income were or will be transferred to profit or loss					
Foreign exchange translation differences from foreign operations	2,261	16,342	857	14,448	20,894
Reserves from hedge accounting	(1,178)	(1,989)	(683)	1,095	(15,515)
Other comprehensive income for the period, net of tax	1,083	14,353	174	15,543	5,379
Total comprehensive income (loss) for the period	17,706	(874)	9,194	20,724	17,214
Attributed to:					
Equity holders of the Company	17,509	(1,008)	9,100	20,648	16,806
Non-controlling interest	197	134	94	76	408
Total comprehensive income (loss) for the period	17,706	(874)	9,194	20,724	17,214

The accompanying notes are an integral part of these consolidated interim financial statements.

Unaudited Condensed Consolidated Interim Statement of Changes in Equity*In thousands of Euros*

	Issued capital	Share premium reserve	Translation reserve	Hedging reserve	Capital reserve from transactions with non-controlling interest	Retained earnings	Equity attributable to owners of the Company	Non- controlling interest	Total equity
Balance at January 1, 2024 (Audited)	930	411,797	17,881	13,941	(6,696)	520,639	958,492	6,133	964,625
Profit for the period	-	-	-	-	-	16,426	16,426	197	16,623
Adjustments for translation	-	-	2,261	-	-	-	2,261	-	2,261
Reserve from hedge accounting	-	-	-	(1,178)	-	-	(1,178)	-	(1,178)
Balance at June 30, 2024 (Unaudited)	<u>930</u>	<u>411,797</u>	<u>20,142</u>	<u>12,763</u>	<u>(6,696)</u>	<u>537,065</u>	<u>976,001</u>	<u>6,330</u>	<u>982,331</u>
Balance at January 1, 2023 (Audited)	930	411,797	(3,013)	29,391	(6,696)	509,277	941,686	5,725	947,411
Loss for the period	-	-	-	-	-	(15,361)	(15,361)	134	(15,227)
Adjustments for translation	-	-	16,342	-	-	-	16,342	-	16,342
Reserve from hedge accounting	-	-	-	(1,989)	-	-	(1,989)	-	(1,989)
Balance at June 30, 2023 (Unaudited)	<u>930</u>	<u>411,797</u>	<u>13,329</u>	<u>27,402</u>	<u>(6,696)</u>	<u>493,916</u>	<u>940,678</u>	<u>5,859</u>	<u>946,537</u>

The accompanying notes are integral part of these consolidated interim financial statements

Unaudited Condensed Consolidated Interim Statement of Changes in Equity*In thousands of Euros*

	Issued capital	Share premium reserve	Translation reserve	Hedging reserve	Capital reserve from transactions with non-controlling interest	Retained earnings	Equity attributable to owners of the Company	Non-controlling interest	Total equity
Balance at April 1, 2024 (Unaudited)	930	411,797	19,285	13,446	(6,696)	528,139	966,901	6,236	973,137
Profit for the period	-	-	-	-	-	8,926	8,926	94	9,020
Adjustments for translation	-	-	857	-	-	-	857	-	857
Reserve from hedge accounting	-	-	-	(683)	--	-	(683)	-	(683)
Balance at June 30, 2024 (Unaudited)	<u>930</u>	<u>411,797</u>	<u>20,142</u>	<u>12,763</u>	<u>(6,696)</u>	<u>537,065</u>	<u>976,001</u>	<u>6,330</u>	<u>982,331</u>
Balance at April 1, 2023 (Unaudited)	930	411,797	(1,119)	26,307	(6,696)	488,811	920,030	5,783	925,813
Profit for the period	-	-	-	-	-	5,105	5,105	76	5,181
Adjustments for translation	-	-	14,448	-	-	-	14,448	-	14,448
Reserve from hedge accounting	-	-	-	1,095	-	-	1,095	-	1,095
Balance at June 30, 2023 (Unaudited)	<u>930</u>	<u>411,797</u>	<u>13,329</u>	<u>27,402</u>	<u>(6,696)</u>	<u>493,916</u>	<u>940,678</u>	<u>5,859</u>	<u>946,537</u>
Balance at January 1, 2023 (Audited)	930	411,797	(3,013)	29,391	(6,696)	509,277	941,686	5,725	947,411
Profit for the year	-	-	-	-	-	11,362	11,362	473	11,835
Adjustments for translation	-	-	20,894	-	-	-	20,894	-	20,894
Reserve from hedge accounting	-	-	-	(15,450)	-	-	(15,450)	(65)	(15,515)
Balance at December 31, 2023 (Audited)	<u>930</u>	<u>411,797</u>	<u>17,881</u>	<u>13,941</u>	<u>(6,696)</u>	<u>520,639</u>	<u>958,492</u>	<u>6,133</u>	<u>964,625</u>

The accompanying notes are integral part of these consolidated interim financial statement

Unaudited Condensed Consolidated Interim Statement of Cash Flows

In thousands of Euros

	For the six months ended		For the three months ended		For the year ended
	June 30,		June 30,		December 31,
	2024	2023	2024	2023	2023
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Cash flows from operating activities					
Profit (loss) for the period	16,623	(15,227)	9,020	5,181	11,835
<u>Adjustment for:</u>					
Depreciation	584	345	282	165	840
Loss from equity accounted investees	708	1,050	349	535	20
Change in fair value of investment property under development	-	(339)	-	-	(6,297)
Change in fair value of investment property	4,690	38,258	921	1,959	25,539
Write-down of inventory to net realizable value	-	-	-	-	6,912
Net finance costs	53,442	39,778	27,967	22,084	96,666
Taxes on income	7,937	4,343	4,714	6,158	11,586
	<u>83,984</u>	<u>68,208</u>	<u>43,253</u>	<u>36,082</u>	<u>147,101</u>
Change in inventories	(2,414)	(3,196)	(1,024)	(607)	(7,286)
Change in trade and other receivables	7,345	(7,663)	15,421	(235)	(13,323)
Change in trade and other payables	100	5,392	761	512	4,779
	<u>89,015</u>	<u>62,741</u>	<u>58,411</u>	<u>35,752</u>	<u>131,271</u>
Income taxes paid	(5,857)	(6,013)	(5,282)	(5,446)	(10,935)
Cash flows from operating activities	<u>83,158</u>	<u>56,728</u>	<u>53,129</u>	<u>30,306</u>	<u>120,336</u>
Cash flows from investing activities					
Investment in and grant of loan to equity accounted investees	(7,296)	(1,775)	(2,110)	(1,197)	(3,407)
Repayments (investments) of short term investments ,net	(162)	1,479	(833)	720	(7,681)
Acquisition of property, plant and equipment	(1,052)	(236)	(788)	(236)	(2,120)
Investment in investment property	(21,690)	(25,176)	(11,395)	(18,624)	(46,292)
Investment in investment property under development (**)	(75,017)	(95,114)	(56,996)	(41,669)	(196,788)
Cash flows used in investing activities	<u>(105,217)</u>	<u>(120,822)</u>	<u>(72,122)</u>	<u>(61,006)</u>	<u>(256,288)</u>
Cash flows from financing activities					
Repayment of non-current loans and borrowings (*)	(41,366)	(72,495)	(12,838)	(14,910)	(233,995)
Proceeds from non-current loans and borrowings (*)	107,079	140,939	50,699	49,606	382,192
Change in current loans and borrowings, net	(3,789)	2,680	(2,316)	1,957	8,064
Payment of lease liabilities	(878)	(757)	(455)	(413)	(1,808)
Interest paid	(28,762)	(17,163)	(13,484)	(9,386)	(41,989)
Cash flows from financing activities	<u>32,284</u>	<u>53,204</u>	<u>21,606</u>	<u>26,854</u>	<u>112,464</u>
Cash and cash equivalents at the beginning of the period	10,225	(10,890)	2,613	(3,846)	(23,488)
Cash and cash equivalents at the beginning of the period	82,818	106,003	90,433	99,029	106,003
Effect of exchange rate fluctuations on cash held	12	243	9	173	303
Cash and cash equivalents at the end of the period	<u>93,055</u>	<u>95,356</u>	<u>93,055</u>	<u>95,356</u>	<u>82,818</u>

(*) Including loans from related parties.

(**) Including advances for investment properties under development.

The accompanying notes are an integral part of these consolidated interim financial statements.

Notes to the Consolidated Interim Financial Statements

Note 1 - General

AFI Europe N.V. (the "**Company**") was incorporated in the Netherlands in 2006 and is domiciled in Amsterdam.

Through its subsidiaries, the Company is an owner, manager and developer of landmark real estate assets in Central and Eastern Europe (CEE), with properties and projects in Czech Republic, Poland, Romania, Serbia, Bulgaria and Latvia, including business parks and office complexes, shopping malls and retail properties, as well as residential and mixed-use developments. In addition, the Company owns an inventory of land for future development.

The condensed consolidated interim financial statements of the Company as at and for the six months ended June 30, 2024 comprises the Company, its subsidiaries (together the "**Group**"), and the Group's interest in associates and jointly controlled entities.

Since its incorporation in 2006, the Company was a wholly-owned subsidiary of AFI Properties Holdings Ltd., an Israeli company wholly owned by AFI Properties Ltd. ("**AFI Properties**"), an Israeli Company listed on the Tel Aviv Stock Exchange, which is approximately 89% owned by Big Shopping Centers Ltd., the ultimate parent of the company.

As at June 30, 2024, the Group's current liabilities exceeded its current assets by an amount of EUR 27,604 thousand, which is mainly attributed to a bank loan related to an investment property in Poland, in a total amount of EUR 25,454 thousand, and a bank loan related to an investment property in Serbia, in a total amount of EUR 13,358 thousand, which are classified as current loans and borrowings, because their contractual maturity date is in less than 12 months. The Group is in process of refinancing these loans with new loans having a later maturity dates, and the Company's management expects to sign new loan agreements before the existing contractual maturity date.

The consolidated financial statements of the Group as at and for the year ended December 31, 2023 are available upon request from the Company's registered office.

Other aspects of the Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial statements as at and for the year ended December 31, 2023.

Notes to the Consolidated Interim Financial Statements

Note 2 – Basis of Preparation

A. Statement of compliance

These interim financial statements have been prepared, in accordance with International Financial Reporting Standard (IFRS) IAS 34, Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended December 31, 2023.

These interim financial statements were approved by the Board of Directors on August 6, 2024.

B. Use of estimates and judgment

The preparation of interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2023.

C. Valuation processes used by the Group

In accordance with its policy and past practices, the Group periodically examines the values of its investment property, investment property under development, and other real estate properties. Such examination is performed at least once a year for investment property and investment property under development, by independent external appraisers having appropriate professional qualifications and knowledge with respect to the relevant location and the type of property appraised.

In accordance with its policy and past practices, the Group periodically examines the values of its investment property, investment property under development and other real estate properties. Such examination is performed at least once a year for investment property and investment property under development, by independent external appraisers having appropriate professional qualifications and knowledge with respect to the relevant location and the type of property appraised.

In respect of investment property, at each interim period the Group examines the need to update the last fair value valuation performed, to ensure it represents a reliable value estimation as of the current reporting period. This examination is made by reviewing the changes in the relevant real estate market, the rental contracts, the macro-economic environment, new information in respect of material transactions done in the surrounding area and any other information that may affect the value of the asset.

In respect of investment property under development, at each reporting period the Group examines the actual costs invested in the development, the estimated remaining costs to complete, the construction progress and any other relevant changes in the real estate market.

Note 3 - Significant Accounting Policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended December 31, 2023.

Notes to the Consolidated Interim Financial Statements

Note 4 - Significant Events in the Reported Period

- A. On April 19, 2024 the Group signed a future purchase agreement for the acquisition of land plots in Prague, with a total area of approx. 14,826 sqm, for a purchase price of approx. CZK 653 million (equivalent to approx. EUR 26 million). The transaction's completion is subject to fulfillment of certain conditions precedent, including obtaining a zoning decision which allows the development of residential-for-rent properties on the acquired land plots. A deposit of 10% of the purchase price has been placed in escrow, and the remaining part of the purchase price is payable on the transaction's completion.
- B. On May 7, 2024 the Group signed a framework agreement (the "Agreement") for the acquisition a residential-for-rent project in Prague (the "Project"), with gross building area of approx. 7,500 sqm, including 318 apartments, retail areas of approx. 200 sqm, and 309 parking spaces (the "Properties"). According to the Agreement, the Transaction will be performed upon completion of the Properties' construction and the transfer of the ownership over the Properties to a Czech entity fully owned by the Group, which is expected by end-2026 (the "Closing"). The total Transaction value is approx. CZK 1,922 million (equivalent to approx. EUR 76.8 million) and is payable at the Closing. To secure the Group's obligation to complete the Transaction, a bank guarantee for 20% of the aforementioned value of the Transaction has been provided.
- C. During the six months of 2024, the group completed construction of another phase in a residential for rent project known as AFI Home Kolbenova in Prague, Czech Republic, and a residential for rent project known as Skyline Home in Belgrade, Serbia. Accordingly, the Group reclassified both assets from investment property under development to investment property, with an asset value of EUR 57.5 million and EUR 45 million, respectively.

Note 5 - Financial Instruments

A. Financial instruments measured at fair value for disclosure purposes only

The book value of certain financial assets and liabilities, including cash and cash equivalents, trade and other receivables, short-term interest-bearing loans and borrowings, loans and borrowings from related parties, trade and other payables are equal or approximate to their fair value.

The fair values of the remaining financial assets and liabilities and their book values as presented in the statement of financial position are as follows:

In thousands of Euros

	<u>June 30, 2024</u>		<u>June 30, 2023</u>		<u>December 31, 2023</u>	
	<u>(Unaudited)</u>		<u>(Unaudited)</u>		<u>(Audited)</u>	
	<u>Carrying amount</u>	<u>Fair value</u>	<u>Carrying amount</u>	<u>Fair value</u>	<u>Carrying amount</u>	<u>Fair value</u>
Secured bank loans (*)	1,139,904	1,127,811	961,759	946,898	1,131,798	1,124,515
Corporate loan	92,408	88,396	92,293	85,986	92,530	87,896

(*) Including the current portion of long-term loans and borrowings

B. Fair value hierarchy of financial instruments measured at fair value

The financial instruments measured at fair value on the temporal basis using valuation methodology in accordance with hierarchy fair value levels.

- Level 1: quoted prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly or indirectly.
- Level 3: inputs that are not based on observable market data (unobservable inputs).

Notes to the Consolidated Interim Financial Statements

Note 5 - Financial Instruments (Cont.)

The financial liabilities and assets include interest rate swap contracts ("IRS") and interest cap rate contracts used for hedging and cross currency swap contracts which were not used for hedging. The financial instruments measured in accordance with level 2.

Details on the fair value of the financial instruments are disclosed below:

<i>In thousands of Euros</i>	June 30,	June 30,	December 31,
	2024	2023	2023
	(Unaudited)	(Unaudited)	(Audited)
Financial assets:			
Interest rate swap	17,980	33,288	21,197
Interest cap rate	4,915	10,456	3,523
Financial liabilities:			
Cross currency Swap	5,986	4,607	6,200
Interest rate swap	753	-	2,433

Fair value of IRS and interest cap rate is measured on the basis of the capitalization of the difference between the forward price in the contract and the current price for the residual period until redemption using appropriate interest curves used for derivative pricing and based on short-term EURIBOR interest rates and long-term IRS transactions.

Fair value of cross currency swap is measured on the basis of the capitalization of the difference between the payment in Euro currency that the Company is expected to pay and the payment in Israeli Shekels ("ILS") currency that the Company is expected to receive according to the difference between the expected exchange rate on the day of the contract execution (using Euro and ILS interest rate curves for the time of the calculation) and the rate determined on the day the transaction was concluded).

Note 6 - Contingent Liabilities

Securities, guarantees and pledges under bank finance agreements

According to some of the financing agreements to which Group companies are parties, the Company is obliged to provide additional funding in case such funding is required to complete the relevant project. Furthermore, some Group companies agreed to comply with certain reporting requirements, as well as to maintain certain financial ratios and minimum cash balances (covenants), such as (i) certain 'debt service coverage ratios' (DSCR) between net rental income and debt service amount, and (ii) certain 'loan-to-value' (LTV) ratios between the outstanding balance of a loan and the value of the relevant assets securing the repayment of such loan.

To the best of the Company's knowledge, the Company is not aware of any breach of covenants under the various financing agreements to which Group companies are parties.

Notes to the Consolidated Interim Financial Statements

Note 7 - Related Parties

The parent company is AFI Properties Holdings Ltd (Israel) which is a fully owned subsidiary of AFI Properties.

Transactions among companies within the Group, which are related parties, have been eliminated in the consolidated financial statements and are not disclosed in this note.

Details of transactions between the Group and other related parties are disclosed below:

<i>In thousands of Euros</i>	June 30, 2024	June 30, 2023	December 31, 2023
	(Unaudited)	(Unaudited)	(Audited)
Management fees to AFI Properties	(1,647)	(721)	(1,906)
Interest expenses to AFI Properties (*)	(27,475)	(25,760)	(49,009)
Interest income from other related parties, net	691	364	802
	<u>(28,431)</u>	<u>(26,117)</u>	<u>(50,113)</u>
Balance:			
Loans from AFI Properties Group	(1,040,421)	(1,022,412)	(954,412)
Payables to AFI Properties	(1,756)	-	-
Loans to associates	20,112	9,728	11,998

(*) Including interest capitalized to investment properties under development and inventory under development.

Note 8 - Operating Segment

The Company is presenting reportable operating segments, as described below, in accordance with IFRS 8. The operating segments are based on geographical areas which reflect the principal and material source of risks and rewards to which the Company is exposed and are managed separately. Operating segments are identified on the basis of internal management reports which are reviewed on a regular basis by the Group's chief operating decision maker (CODM).

Performance is measured based on segment operating profit before administrative, selling and marketing expenses, as included in reports that are regularly reviewed by the chief operating decision maker. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Segment results reported to the chief operating decision maker include items directly attributable to a segment on a reasonable basis.

Geographical segments

The Company has several main geographical areas: Czech Republic, Serbia, Romania, Poland and other regions.

The accounting policies implemented in preparing the segment information correspond with the generally accepted accounting policies applied in the preparation of the Company's condensed consolidated financial statements.

Notes to the Consolidated Interim Financial Statements

Note 8 - Operating Segment (cont'd)

In thousands of Euros

In thousands of Euros

For the six months ended at June 30, 2024 (Unaudited)

	<u>Czech Republic</u>	<u>Serbia</u>	<u>Romania</u>	<u>Poland</u>	<u>Other regions</u>	<u>Total consolidated</u>
Income from external customers:						
Gross rental income	13,584	19,902	54,845	7,691	1,021	97,043
Proceeds from sale of trading property	15	-	-	65	3,193	3,273
Service charge income	5,056	6,410	16,416	3,678	404	31,964
Other income	146	385	1,846	109	44	2,530
Total income	<u>18,801</u>	<u>26,697</u>	<u>73,107</u>	<u>11,543</u>	<u>4,662</u>	<u>134,810</u>
Net valuation losses	(1,336)	(651)	(1,352)	(1,351)	-	(4,690)
Segment result	<u>10,513</u>	<u>18,341</u>	<u>53,724</u>	<u>5,043</u>	<u>1,445</u>	<u>89,066</u>
Share of losses of companies accounted for at equity, net	-	-	-	(708)	-	(708)
Unallocated expenses						<u>(10,356)</u>
Operating profit						78,002
Net financing costs						(53,442)
Taxes on income						<u>(7,937)</u>
Profit for the period						<u>16,623</u>
Investment property and investment property under development	552,863	606,814	1,470,306	348,050	32,726	3,010,759
Inventory of buildings and land	32,234	-	56,502	9,758	37,742	136,236
Total	<u>585,097</u>	<u>606,814</u>	<u>1,526,808</u>	<u>357,808</u>	<u>70,468</u>	<u>3,146,995</u>

Notes to the Consolidated Interim Financial Statements

Note 8 - Operating Segment (cont'd)

In thousands of Euros

	For the six months ended at June 30, 2023 (Unaudited)					
	Czech Republic	Serbia	Romania	Poland	Other regions	Total consolidated
Income from external customers:						
Gross rental income	10,561	14,489	48,595	6,036	822	80,503
Proceeds from sale of trading property	660	-	-	-	7,009	7,669
Service charge income	4,325	4,486	15,598	2,850	400	27,659
Other income	252	659	148	128	119	1,306
Total income	<u>15,798</u>	<u>19,634</u>	<u>64,341</u>	<u>9,014</u>	<u>8,350</u>	<u>117,137</u>
Net valuation gains (losses)	4,076	(1,411)	(38,061)	(2,883)	360	(37,919)
Segment result	<u>13,330</u>	<u>12,146</u>	<u>9,661</u>	<u>2,406</u>	<u>1,512</u>	<u>39,055</u>
Share of losses of companies accounted for at equity, net	-	-	-	(1,050)	-	(1,050)
Unallocated expenses						<u>(9,111)</u>
Operating profit						28,894
Net financing costs						(39,778)
Taxes on income						<u>(4,343)</u>
Loss for the period						<u>(15,227)</u>
Investment property and investment property under development	531,130	559,615	1,411,818	267,136	30,256	2,799,955
Inventory of buildings and land	<u>33,526</u>	<u>-</u>	<u>63,289</u>	<u>9,487</u>	<u>31,406</u>	<u>137,708</u>
Total	<u>564,656</u>	<u>559,615</u>	<u>1,475,107</u>	<u>276,623</u>	<u>61,662</u>	<u>2,937,663</u>

Notes to the Consolidated Interim Financial Statements

Note 8 - Operating Segment (cont'd)

In thousands of Euros

	For the three months ended at June 30, 2024 (Unaudited)					
	Czech Republic	Serbia	Romania	Poland	Other regions	Total consolidated
Income from external customers:						
Gross rental income	7,128	10,127	27,899	3,920	566	49,640
Proceeds from sale of trading property	-	-	-	32	2,148	2,180
Service charge income	2,519	3,061	8,409	2,310	193	16,492
Other income	81	148	767	74	40	1,110
Total income	<u>9,728</u>	<u>13,336</u>	<u>37,075</u>	<u>6,336</u>	<u>2,947</u>	<u>69,422</u>
Net valuation gains (losses)	1,448	(462)	(436)	(1,471)	-	(921)
Segment result	<u>7,607</u>	<u>9,091</u>	<u>27,829</u>	<u>1,770</u>	<u>942</u>	<u>47,239</u>
Share of losses of companies accounted for at equity, net	-	-	-	(349)	-	(349)
Unallocated expenses						<u>(5,189)</u>
Operating profit						41,701
Net financing costs						(27,967)
Taxes on income						<u>(4,714)</u>
Profit for the period						<u>9,020</u>
Investment property and investment property under development	552,863	606,814	1,470,306	348,050	32,726	3,010,759
Inventory of buildings and land	<u>32,234</u>	<u>-</u>	<u>56,502</u>	<u>9,758</u>	<u>37,742</u>	<u>136,236</u>
Total	<u>585,097</u>	<u>606,814</u>	<u>1,526,808</u>	<u>357,808</u>	<u>70,468</u>	<u>3,146,995</u>

Notes to the Consolidated Interim Financial Statements

Note 8 - Operating Segment (cont'd)

In thousands of Euros

	For the three months ended at June 30, 2023 (Unaudited)					
	Czech Republic	Serbia	Romania	Poland	Other regions	Total consolidated
Income from external customers:						
Gross rental income	5,331	7,585	24,717	3,084	410	41,127
Proceeds from sale of trading property	3	-	-	-	4,533	4,536
Service charge income	2,040	2,367	7,926	1,368	167	13,868
Other income	183	67	48	47	40	385
Total income	<u>7,557</u>	<u>10,019</u>	<u>32,691</u>	<u>4,499</u>	<u>5,150</u>	<u>59,916</u>
Net valuation gains (losses)	(1,037)	(225)	(530)	(167)	-	(1,959)
Segment result	<u>3,516</u>	<u>6,510</u>	<u>24,395</u>	<u>2,544</u>	<u>1,616</u>	<u>38,581</u>
Share of losses of companies accounted for at equity, net	-	-	-	(535)	-	(535)
Unallocated expenses						<u>(4,623)</u>
Operating profit						33,423
Net financing costs						(22,084)
Taxes on income						<u>(6,158)</u>
Profit for the period						<u>5,181</u>
Investment property and investment property under development	531,130	559,615	1,411,818	267,136	30,256	2,799,955
Inventory of buildings and land	<u>33,526</u>	<u>-</u>	<u>63,289</u>	<u>9,487</u>	<u>31,406</u>	<u>137,708</u>
Total	<u>564,656</u>	<u>559,615</u>	<u>1,475,107</u>	<u>276,623</u>	<u>61,662</u>	<u>2,937,663</u>

Notes to the Consolidated Interim Financial Statements

Note 8 - Operating Segment (cont'd)

In thousands of Euros

	For the year ended at December 31, 2023 (Audited)					
	Czech Republic	Serbia	Romania	Poland	Other regions	Total consolidated
Income from external customers:						
Gross rental income	22,056	31,963	101,885	12,521	1,717	170,142
Proceeds from sale of trading property	1,891	-	-	24	9,986	11,901
Service charge income	8,811	9,982	33,539	5,815	803	58,950
Other income	569	1,404	423	331	197	2,924
Total income	33,327	43,349	135,847	18,691	12,703	243,917
Write down of inventory to net realize value	-	-	(6,912)	-	-	(6,912)
Net valuation gains (losses)	3,583	5,119	(25,488)	(3,354)	898	(19,242)
Segment result	23,354	34,983	68,418	6,863	4,597	138,215
Share of losses of companies accounted for at equity, net	-	-	-	(20)	-	(20)
Unallocated expenses						(18,108)
Operating profit						120,087
Net financing costs						(96,666)
Taxes on income						(11,586)
Profit for the period						11,835
Investment property and investment property under development	545,650	588,445	1,448,819	312,901	32,119	2,927,934
Inventory of buildings and land	32,019	-	56,442	9,672	35,783	133,916
Total	577,669	588,445	1,505,261	322,573	67,902	3,061,850

Notes to the Consolidated Interim Financial Statements

Note 9 - Subsequent Event

- A. On July 23, 2024 a financing agreement (the “**Agreement**”) was signed by two subsidiaries in which the Company’s (indirect) stake is 70% interest and which own and develop the mixed-use project known as “Towarowa 22” in Warsaw, Poland (the “**Subsidiaries**” and the “**Project**”, respectively), in relation to a loan in the amount of up to EUR 81.2 million (the “**Loan**”), to be provided to the Subsidiaries by two banks upon the fulfilment of several conditions precedent, for the purpose of financing up to 70% of the budgeted costs for the construction of the Project’s first office building (the “**Financed Property**” and the “**Construction Facility**”), and a revolving facility of up to PLN 20 million to finance the VAT related thereto (the “**VAT Facility**”). Following completion of the Financed Property’s construction and subject to additional conditions specified in the Agreement, the Construction Facility will be converted to an investment facility and the loan amount will be increased to a maximum of EUR 103.4 million.